6/5/87 SO320-1A

MAY 1987
ALASKA ECONOMIC TRENDS

Alaska Department of Labor **Steve Cowper, Governor, State of Alaska**

Nonresidents Working in Alaska in 1985

Alaska Economic Trends

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Funded by:

May 1987
Volume 7
Issue 5

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Alaska Economic Trends is published monthly by the Alaska Department of Labor, Research and Analysis Section, PO Box 25501, Juneau, Alaska 99802-5501.

POSTMASTER: Send address change to ALASKA ECONOMIC TRENDS, PO BOX 25501, Juneau, Alaska 99802-5501.

The following notes pertain to Nonagricultural Wage and Salary Employment Tables:

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark date March 1986.

P/ Denotes preliminary estimates.
R/ Denotes revised estimates.

Nonresidents Working in Alaska in 1985

By Betsy Jensvold

The Alaska Department of Labor recently published the annual resident hire report. The report contains data about nonresident wages and workers in Alaska, as well as information about the reasons employers hire nonresidents, alternative ways of promoting resident hire, and progress towards implementing resident hiring preferences on state-funded construction projects. This article highlights some of the information contained in that report.

Highlights from *Nonresidents Working in Alaska in 1985.*

- In 1985, $691 million was paid to 77,000 nonresident workers in Alaska. This represents an increase of $14 million and 6,000 employees over 1984 (tables 1 and 2).

- The average annual Alaska earnings of nonresidents was 43% of the average annual earnings of residents of Alaska (down from 48% in 1984); however, nonresidents did not spend as much time working in Alaska as residents (table 3).

- 1984 and 1985 data are strikingly similar. Although nonresident wages and workers increased in 1985, their percentage impact by industry and area changed only slightly.

- Oil and gas paid the highest total wages to nonresidents in 1985 and the second highest in 1984 (table 4).

- Heavy construction ranked the highest in total wages to nonresidents in 1984 and the second highest in 1985; however, construction as a whole (heavy construction, building construction, and special trades construction) paid more than oil and gas in both years (table 4).

- Food processing (with 94% of the firms in seafood processing) had the highest number of nonresident employees (13,512 in 1985), the highest proportion of wages paid to nonresidents (55% in 1985), and the highest proportion of employees who were nonresidents (68% in 1985) (tables 5 and 6).

- The Anchorage-MatSu Region had the highest number of nonresident employees (33,492 in 1985) and the highest amount of nonresident wages ($282 million in 1985), but the lowest proportion of nonresident employees (21% in 1985). In contrast, the Southwest Region had only 7,438 nonresident employees in 1985 and although

it had the highest proportion of nonresident employees (38% in 1985) (table 7).

- Alaska has unique economic conditions compared to other states. In 1985, Alaska had the fifth highest overall unemployment rate in the nation, the third highest for all nonagricultural industries, the highest in manufacturing and government, and the sixth highest in construction. Alaska also had one of the highest unemployment rates in the nation for many major occupational categories.

- Nearly 22% of all regular unemployment insurance benefits paid by Alaska in 1985 were mailed to out-of-state addresses. This is the highest interstate rate in the nation, approximately 4.5 times the national average. Seventy-four percent of those interstate payments were to nonresidents.

Sources and Limitations of Data

Wage and employee data were developed by crossmatching 1985 wage records from the Alaska Department of Labor with 1985 and 1986 permanent fund dividend records from the Alaska Department of Revenue. Workers were considered residents if they received a 1985 dividend or filed for a 1986 dividend.

Data (except where otherwise stated) were drawn from Alaska Department of Labor wage records, and as such, do not include federal employees or workers who are not covered by unemployment insurance. Employees not covered by unemployment insurance include self-employed workers, most fishermen, full commission salespersons, agricultural workers, domestic workers, unpaid family workers, private railroad workers, elected and appointed public officials, and some employed students.

This report provides data about **employees**, not **employment**. **Employees** are the individual people who worked for wages during a specific period of time; **employment** is the number of filled jobs at a particular point in time. Because not all jobs are filled throughout the year and different individuals may work in the same position at different periods of time, **employee** counts exceed **employment** totals given in other publications, especially when comparing annual data. Approximately 70% more individuals work in Alaska over a year's time than the annual average number of jobs.

Employees and wages are counted in the census area of the employer's primary business location even though employees may actually work in another part of the state. This seriously skews the data for state government workers. Consequently, state workers are included in statewide data but excluded from region and census area data. Also,

Table 1
Total Resident and Nonresident Wages
For Each Quarter and Year
Alaska 1984 and 1985

	1984			1985		
	Resident	Nonresident		Resident	Nonresident	
	Wages (thous)	Wages (thous)	% of Total	Wages (thous)	Wages (thous)	% of Total
Anytime During the Year	$5,105,893	$677,088	11.7	$5,207,993	$691,726	11.7
1st Quarter	1,179,066	149,236	11.2	1,205,671	137,084	10.2
2nd Quarter	1,277,718	169,161	11.7	1,324,940	170,319	11.4
3rd Quarter	1,335,162	222,936	14.3	1,342,319	236,533	15.0
4th Quarter	1,313,947	135,755	9.4	1,335,063	147,790	10.0

Source: Alaska Department of Labor, Research and Analysis

Table 2
Total Resident and Nonresident Employees
for Each Quarter and Year
Alaska 1984 and 1985

	1984			1985		
	Resident	Nonresident		Resident	Nonresident	
	Number of Employees	Number of Employees	% of Total	Number of Employees	Number of Employees	% of Total
Anytime During the Year	256,143	71,076	21.7	252,058	77,126	23.4
1st Quarter	182,713	25,130	12.1	188,085	25,977	12.1
2nd Quarter	201,381	35,785	15.1	204,953	39,120	16.0
3rd Quarter	213,295	44,769	17.3	212,155	49,503	18.9
4th Quarter	201,867	28,524	12.4	200,601	31,790	13.7

Source: Alaska Department of Labor, Research and Analysis

employees and wages are counted in the industry of the employer from whom they earned the most wages.

Displacement of Resident Workers

As part of the study, an analysis of the displacement of workers in the construction industry was prepared. Evidence compiled suggests that in some occupations there were qualified Alaskans available to fill many of the positions occupied by nonresident workers in 1984 and 1985.

Table 8 and 9 lists the estimated number of nonresidents working in selected construction occupations during each calendar quarter of 1984 and 1985, and the number of Alaska residents with experience in those occupations who collected unemployment insurance compensation during that same quarter. This information provides a general indication of displacement of residents by nonresidents.

The data in Table 8 and 9 show that during each quarter of 1984 and 1985 there were several thousand Alaskans receiving unemployment insurance benefits who may have been qualified to fill positions occupied by nonresidents. The figures tend to overstate the number of nonresidents working and the number of residents qualified and available for work at any given time. Many of the positions held by nonresidents, however, were not highly skilled or highly technical and could probably have been filled by unemployed Alaskans.

Status of Resident Hire Employment Preferences

In 1986, the Fourteenth Alaska Legislature passed a resident hire statute for public-funded construction; the statute is complex and substantially different from previous versions. The legislature emphasized the need to pass a law that would withstand a test of its constitutionality. Consequently, the new statute uses a very targeted approach based on detailed statistical information.

Before any hiring preferences can be implemented, determinations must be made as to which geographic areas of the state qualify for preference based on specific criteria. Three distinct types of data are required: data about overall economic conditions, specific data about the displacement of resident workers by nonresidents, and data about the social and economic consequences of unemployment. Before determinations can be made, regulations must be approved and data compiled.

At this time, regulations have been drafted and reviewed through the public hearing process but not finalized. Data have been compiled which illustrate the overall economic condition of each area of the

Table 3
Total Quarters Worked in Alaska
1984 and 1985

Total Quarters Worked	1984		1985	
	Resident	Nonresident	Resident	Nonresident
One Quarter	14.4%	45.4%	11.0%	44.8%
Two Quarters	16.4%	29.3%	14.9%	29.9%
Three Quarters	15.6%	14.1%	16.4%	14.5%
Four Quarters	53.6%	11.2%	57.6%	10.9%

Source: Alaska Department of Labor, Research and Analysis

Table 4
Ten Industries with the Highest Wages Paid to Nonresidents
Alaska 1984 and 1985

Standard Industrial Classification (SIC)	1984 Resident		1985 Nonresident	
	Wages (thous)	Rank	Wages (thous)	Rank
Heavy Construction	$105,154	1	$ 74,009	2
Oil and Gas	71,585	2	106,646	1
Food Processing	58,079	3	61,964	3
Special Trades Construction	51,096	4	41,574	4
Building Construction	45,439	5	34,146	5
Business Services	29,731	6	33,222	6
Local Government	28,135	7	31,747	7
Miscellaneous Services	26,942	8	23,410	10
Eating and Drinking Places	24,477	9	27,111	9
Air Transportation	22,157	10	22,165	11
State Government	20,171	11	28,217	8

Source: Alaska Department of Labor, Research and Analysis

For a more detailed analysis of the impact of nonresidents in 1985 see *Nonresidents Working in Alaska in 1985*, January 1987. For an analysis of the impact of nonresidents in 1984 see *Nonresidents Working in Alaska: A Special Study to Measure the Economic Impact of Nonresidents on Alaska's Economy During Calendar Year 1984*, January 1986. For information on the history of the resident hire issue see *Alaska Economic Trends, August 1985.*

Table 5
Ten Industries With Over $1 Million in Wages
and the Highest Percentage of Wages Paid to Nonresidents
Alaska 1984 and 1985

	1984				1985			
	Resident	Nonresident			Resident	Nonresident		
Standard Industrial Classification (SIC)	**Wages (thous)**	**Wages (thous)**	**% of Total**	**Rank**	**Wages (thous)**	**Wages (thous)**	**% of Total**	**Rank**
Food Processing	$ 50,904	$ 58,079	53	1	$ 50,462	$61,964	55	1
Nonclassifiable 2/	6,729	3,088	31	2	11,082	4,702	30	3
Heavy Construction	254,276	105,154	29	3	199,691	74,009	27	7
Miscellaneous Repair	15,684	6,483	29	4	15,408	5,140	25	8
Metal Mining 1/	13,210	4,895	27	5	12,621	5,046	29	4
Fishing, Hunting, Trapping 1/	3,374	1,172	26	6	4,069	2,175	35	2
Nonmetal/Nonfuel Mining	x	x	x	7	x	x	27	6
Logging	25,441	7,928	24	8	28,916	10,898	27	5
Agricultural Services	4,688	1,303	22	9	5,684	1205	17	15
Building Construction	187,022	45,439	20	10	143,687	34146	19	12
Transportation Equip Mfg	1,807	435	19	11	2,217	605	21	10
Water Transportation	38,390	8,583	18	12	37,733	10,401	22	9

Source: Alaska Department of Labor, Research and Analysis

Note: "x" indicates that information is nondisclosable.
1/ Data include only nonagricultural wage and salary employees covered by unemployment insurance. Consequently, data provided for this industry may not be representative of the industry as a whole.
2/ Not classified in any other industry.

Table 6
Ten Industries With Over 200 Employees
and the Highest Percentage of Nonresident Employees
Alaska 1984 and 1985

	1984				1985			
	Resident	Nonresident			Resident	Nonresident		
Standard Industrial Classification (SIC)	**Number of Employees**	**Number of Employees**	**% of Total**	**Rank**	**Number of Employees**	**Number of Employees**	**% of Total**	**Rank**
Food Processing	6,615	12,068	65	1	6,431	13,512	68	1
Nonclassifiable 2/	920	767	45	2	1,119	608	35	5
Metal Mining 1/	611	373	38	3	511	326	39	4
Logging	1,204	715	37	4	1,296	864	40	3
Fishing, Hunting, Trapping 1/	330	177	35	5	348	285	45	2
Heavy Construction	8,800	4,094	32	6	7,182	3,770	32	12
Eating and Drinking Places	17,376	7,473	30	7	17,793	8,838	33	8
Nonmetal/Nonfuel Mining	x	x	x	8	x	x	35	6
Business Services	9,294	3,990	30	9	9,670	3,926	29	17
Agricultural Services	499	207	29	10	538	242	31	13
Recreation Services	1,369	553	29	11	1,566	773	33	9
Motion Pictures	491	125	20	27	375	178	32	10
Transportation Equip Mfg	123	66	35	*	146	77	35	7

Source: Alaska Department of Labor, Research and Analysis

Note: "x" indicates that information is nondisclosable.
Note: "*" indicates that the total number of employees was not large enough to meet the minimum cut off for ranking on this table.
1/ Data include only nonagricultural wage and salary employees covered by unemployment insurance. Consequently, data provided for this industry may not be representative of the industry as a whole.
2/ Not classified in any other industry.

state; however, data about occupational supply and demand are not currently available in enough detail to demonstrate that nonresident workers have displaced qualified, available resident workers in specific occupations and specific areas of the state. Consequently, the Department of Labor has begun implementation of a new system designed to collect the required information. Data about the social and economic impact of unemployment are available through a variety of sources which will be analyzed in depth later this year. The department expects to be able to make determinations for most construction-related occupations by January 1988.

Employer Comments on Resident Hire

In 1986 the Alaska Department of Labor surveyed a small number of employers in ten industries which paid high amounts of wages to nonresidents in 1984 and 1985. The purpose of this survey was to learn reasons why employers hire nonresidents and to ask employers for their ideas about ways to promote the hiring of Alaska residents. Firms were selected to represent the extremes within each industry: those with the highest and those with the lowest percentage of nonresident employees and wages. Responses were obtained from a total of 74 firms, with at least six respondents from each selected industry.

Employers were asked to provide reasons why their industry hires nonresidents (unprompted response). Employers were then read a prepared list of possible reasons for hiring nonresidents and asked if any of those reasons applied to their industry (prompted response).

Sixty percent of employers contacted said their industries hire nonresidents because available Alaskans lack required training or experience. This was the most frequently cited reason in construction, mining, and service industries. Thirty-five percent of employers contacted stated that their industries hire nonresidents because there are no Alaskans available, a reason commonly mention by employers in food processing.

Fifty percent of employers contacted stated that their industries hire nonresidents because it is company policy to transfer people within the company, a frequent response by employers in mining industries.

Nineteen percent of employers felt that the ability to pay lower wages was a reason to hire nonresidents. Sixteen percent of employers indicated that nonresidents worked harder or had better work attitudes than residents.

Employers stated they often promote the hiring of residents by having a company resident hire policy; by advertising openings locally;

Table 7
Percent Nonresident Wages and Employees by Geographic Zone
1984 and 1985

	Wages Paid to Nonres as a % of Total		Nonresident Employees as a % of Total	
Geographic Zone	**1984**	**1985**	**1984**	**1985**
Alaska Statewide	12.6	11.7	22.8	23.4
Anchorage-MatSu Region	9.0	9.6	19.2	20.7
Anchorage Borough	9.1	9.7	19.4	20.8
MatSu Borough	7.1	7.0	15.7	18.5
Gulf Coast Region	14.3	14.9	28.5	32.3
Kenai Peninsula Borough	11.9	13.5	22.2	27.3
Kodiak Island Borough	21.8	18.8	39.0	40.2
Valdez-Cordova	14.4	16.9	33.2	37.9
Interior Region	12.7	12.1	21.2	23.2
Fairbanks North Star Borough	13.0	12.3	22.0	24.0
Southeast Fairbanks	8.5	9.8	20.7	20.3
Yukon-Koyukuk	9.2	9.9	13.4	16.0
Northern Region	25.5	22.4	26.9	25.1
Nome	10.0	9.5	13.0	15.0
North Slope Borough	28.0	24.9	33.3	30.5
Northwest Arctic Borough	9.5	7.7	10.8	12.4
Southeast Region	11.2	13.1	23.3	27.2
Haines Borough	11.4	18.0	16.9	32.3
Juneau Borough	8.3	9.3	18.9	21.6
Ketchikan Gateway Borough	9.0	10.8	18.9	22.2
Prince of Wales-Outer Ketchikan	17.3	17.9	27.6	30.5
Sitka Borough	7.9	8.5	16.5	19.4
Skagway-Yakutat-Angoon	25.4	27.6	38.1	43.4
Wrangell-Petersburg	20.2	25.0	38.0	42.7
Southwest Region	24.2	24.2	37.6	37.6
Aleutian Islands	41.6	41.4	62.6	60.9
Bethel	8.4	9.7	12.8	15.5
Bristol Bay Borough	42.7	39.0	60.0	58.8
Dillingham	30.7	30.0	45.6	46.5
Wade Hampton	4.5	6.6	8.8	12.3
Geographic Area Unknown	27.2	39.5	46.4	58.6

Source: Alaska Department of Labor, Research and Analysis
Note: State government wages and employees are excluded from all regions and census areas but included at the statewide level.

Table 8
Nonresidents Employed and Residents Available for Work
by Quarter in Selected Construction Occupations
Alaska 1984

Occupation Title (Dictionary of Occupational Titles)	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Nonres Emp	Res Unemp	Nonres Emp	Res Unemp	Nonres Emp	Res Unemp	Nonres Emp	Res Unemp
MECHANICS/MACHINE REPAIR								
Motor Vehicle Mechanics	128	509	161	392	174	302	131	481
Engine, Transmission Mechanics	81	152	87	117	103	96	87	135
Misc. Machine Repair	57	138	54	115	63	94	49	122
Other Related Occupations	1	5	1	2	1	1	6	1
METAL FABRICATION								
Fitting, Bolting Occupations	81	204	101	193	158	121	114	165
Sheet Metal	90	53	80	64	95	51	71	69
Other Related Occupations	9	22	7	15	8	12	11	22
WELDERS,CUTTERS & RELATED								
Other Related Occupations	137	309	168	266	166	205	136	272
ELECTRICAL INSTALLING & REPAIR								
Transmission, Distrib. Line Inst.	43	133	54	122	87	44	71	95
Installation, Repair Transp. Equip.	5	10	7	10	8	10	6	9
Installation, Repair Lg. Appliance	1	9	7	6	8	6	6	7
Other Related Occupations	33	99	27	87	40	51	38	87
PAINTING, PLASTERING, CEMENTING								
Construction Painters	43	170	54	152	55	114	38	193
Plasterers	24	54	40	50	47	37	33	43
Cement, Concrete Finishers	24	136	101	117	134	50	87	109

EXCAVATING, GRADING, PAVING								
Excavating, Grading	47	283	94	194	111	89	87	238
Paving, Asphalt, & Concrete	5	30	20	28	24	9	11	33
Other Related Occupations	407	1,518	798	1,161	988	608	691	1,351
OTHER CONSTRUCTION OCCUPATIONS								
Carpenters	502	1,855	684	1,692	869	1,058	593	1,524
Brick, Stone, & Tile Setters	9	55	47	54	47	21	33	41
Plumbers, Fitters, & Related Occup.	493	355	530	384	545	281	327	353
Asbestos, Insulation	19	13	27	12	24	12	17	12
Floor Laying, Finishing	9	21	7	18	16	11	6	14
Glaziers	19	18	21	18	16	13	17	16
Roofers	28	77	40	71	64	35	49	59
Other Related Occupations	696	3,440	1,093	3,078	1,264	1,918	811	2,934
MOTOR FREIGHT OCCUPATIONS								
Truck Driver, Heavy	133	1,022	241	854	277	478	207	830
Truck Driver, Light	9	111	14	101	24	69	17	91
OTHER TRANSPORTATION OCCUPATIONS								
Other Related Occupations	5	28	7	25	8	16	6	31
PACKAGING & MATERIALS HANDLING								
Hoisting & Conveying	28	222	80	158	103	119	60	184
Other Related Occupations	38	282	80	218	87	173	55	257
MINERAL EXTRACTION OCCUPATIONS								
Earth Boring, Drilling & Related	28	224	47	191	55	168	49	158
TOTAL FOR SELECTED OCCUPATIONS	3,232	11,557	4,779	9,965	5,669	6,272	3,920	9,936
TOTAL NONRESIDENTS WORKING FOR CONSTRUCTION COMPANIES	4,737		6,706		7,903		5,444	

Source: Alaska Department of Labor, Research and Analysis

Table 9
Nonresidents Employed and Residents Available for Work
by Quarter in Selected Construction Occupations
Alaska 1985

Occupation Title (Dictionary of Occupational Titles)	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Nonres Emp	Res Unemp	Nonres Emp	Res Unemp	Nonres Emp	Res Unemp	Nonres Emp	Res Unemp
MECHANICS/MACHINE REPAIR								
Motor Vehicle Mechanics	86	538	121	661	140	459	96	687
Engine, Transmission Mechanics	23	162	23	214	29	134	20	229
Misc. Machine Repair	6	126	17	172	36	158	20	157
Other Related Occupations	0	4	0	6	0	5	0	5
METAL FABRICATION								
Fitting, Bolting Occupations	39	173	69	207	125	127	86	168
Sheet Metal	49	85	63	104	73	64	51	123
Other Related Occupations	3	24	5	26	14	17	10	19
WELDERS,CUTTERS & RELATED								
Other Related Occupations	116	268	156	352	169	277	107	342
ELECTRICAL INSTALLING & REPAIR								
Transmission, Distrib. Line Inst.	29	95	34	112	81	31	66	80
Installation, Repair Transp. Equip.	3	9	0	10	0	10	0	10
Installation, Repair Lg. Appliance	0	5	0	10	0	9	0	14
Other Related Occupations	16	131	34	163	44	102	40	106
PAINTING, PLASTERING, CEMENTING								
Construction Painters	26	226	40	295	66	181	51	196
Plasterers	16	51	23	87	29	54	10	83
Cement, Concrete Finishers	36	136	81	152	110	60	81	153
EXCAVATING, GRADING, PAVING								
Excavating, Grading	29	229	69	229	66	121	56	235

Paving, Asphalt, & Concrete	3	30	34	30	36	11	25	44
Other Related Occupations	366	1,374	754	1,538	914	788	622	1,719
OTHER CONSTRUCTION OCCUPATIONS								
Carpenters	402	1,951	725	2,348	1,003	1,380	724	1,692
Brick, Stone, & Tile Setters	23	66	40	68	59	32	40	60
Plumbers, Fitters, & Related Occup.	259	485	353	578	435	376	260	505
Asbestos, Insulation	6	23	17	35	29	24	15	20
Floor Laying, Finishing	13	18	11	19	14	17	10	19
Glaziers	16	29	17	31	14	20	10	25
Roofers	23	96	52	122	66	53	45	95
Other Related Occupations	476	3,416	1,061	4,163	1,364	2,576	902	3,370
MOTOR FREIGHT OCCUPATIONS								
Truck Driver, Heavy	96	926	208	1,110	280	623	168	998
Truck Driver, Light	9	146	17	201	22	140	15	165
OTHER TRANSPORTATION OCCUPATIONS								
Other Related Occupations	3	35	5	59	7	59	5	44
PACKAGING & MATERIALS HANDLING								
Hoisting & Conveying	39	244	63	280	81	193	45	343
Other Related Occupations	29	299	58	379	59	254	35	339
MINERAL EXTRACTION OCCUPATIONS								
Earth Boring, Drilling & Related	29	154	58	212	66	170	45	200
TOTAL FOR SELECTED OCCUPATIONS	2,269	11,554	4,208	13,973	5,431	8,525	3,660	12,245
TOTAL NONRESIDENTS WORKING FOR CONSTRUCTION COMPANIES	3,330	5,803	7,378	5,100				

Source: Alaska Department of Labor, Research and Analysis

Note: The occupational profile of nonresidents working in construction is derived from those nonresidents who filed an unemployment claim. That profile was then applied to the total nonresident labor pool working in construction during each quarter. Approximately, 42.5 percent of all nonresidents working in construction had filed a UI claim from which to derive their occupational code.

or by using local unions, Job Service offices, local private employment agencies or universities to find workers.

Employers feel the State should promote resident hire by publicizing the issue and working actively to train and place resident workers. This process has already started in the seafood processing industry. The seafood industry is working with the Alaska Department of Labor, Employment Securities Division, through its Job Service offices to advertise and recruit Alaska residents for seafood processing jobs.

Ideas for Promoting Alaska Hire

The 1986 Alaska Hire Task Force report presented 36 approaches for promoting resident hire in Alaska. The report, a compilation of ideas from state agencies and a variety of sources outside of state government, was intended primarily for policy makers to use as a reference of new ideas and initiatives on resident hire.

The proposals described in the report are wide-ranging in nature and approach the issue of resident hire from many different directions. Some of the proposals are relatively narrow in focus, while others involve significant economic, legal, or political considerations.

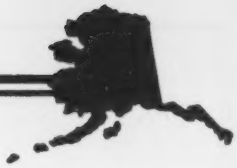
Proposals include loan program incentives, expansion of job service networks, oil industry training programs, resident hire incentive programs, and expanded bidder preference. A more detailed description of these and other proposals are available upon request from the Alaska Department of Labor's research and analysis unit.

Summary

Although most Alaskans support the idea of hiring residents, there is substantial disagreement over exactly what role the State should play. Most agree that the State should actively promote the idea of resident hire and work to train and place resident workers.

The Alaska Department of Labor is now collecting data to support the legislative decision making process, and to support implementation of resident hiring preference. Other actions, such as in-state contractor bidding preferences, "Buy-Alaska" legislation, and tax or loan incentives, are more controversial. Nevertheless, the Alaska legislature is actively considering a variety of approaches.

Alaska



By Edward Eboch

Current Events

The employment statistics appear to be giving mixed signals to Alaska's economic performance. The unemployment rate is down over the year and over the month, however, the number of people employed is also down over the year and the increase in employment was the smallest February-to-March increase in employment since 1964.

The average weekly hours worked, usually a good indicator of future trends, is down over the year for all industries except for manufacturing and retail trade. While the manufacturing industry is doing well, especially seafood processing, the same cannot be said about the retail trade sector which is experiencing year-to-year losses in employment and record bankruptcies.

Hidden Effects

Several things may be happening that cause the employment statistics to understate the severity of the current downturn. The most obvious is people leaving the state because they lost their jobs and exhausted their unemployment benefits. As people leave the state, they are no longer part of the work force and therefore, technically no longer counted as unemployed in Alaska. This can cause the labor force to fall faster than employment.

Less obvious, and more difficult to document, is the underemployment and hidden unemployment that occurs. Underemployment occurs when a person is forced to work in a job that requires less training and education than the employee has, and when people desire full time work but are employed part time. A skilled construction worker taking a job as a clerk in retail trade because he is unable to find a job in his chosen profession and no longer qualifies for unemployment benefits would be an example.

As these workers take employment usually filled by students and other part time workers not qualifying for unemployment benefits, the count of the unemployed becomes understated. To be eligible for unemployment benefits, a person must earn $1,000 a quarter, more than the earnings of many part-time workers. Students under 16 are not counted as unemployed or as part of the labor force when they are unable to find work. In addition, people become discouraged about finding work and quit looking so they are no longer counted in the

Nonagricultural Wage and Salary Employment
By Place of Work
Alaska

	p/ 3/87	r/ 2/87	3/86	Changes From: 2/87	3/86
Nonag. Wage & Salary	206,500	206,000	215,700	500	-9,200
Mining	8,400	8,400	9,700	0	-1,300
Construction	9,400	9,400	10,600	0	-1,200
Manufacturing	9,500	9,300	9,200	200	300
Food & Kindred Prod.	4,200	4,000	3,900	200	300
Lumber & Paper Prod.	2,300	2,300	2,200	0	100
All Other Mfg.	3,000	3,000	3,100	0	-100
Trans. Comm. & Utilities	17,200	17,100	17,000	100	200
Trucking & Whseing.	1,900	1,900	2,100	0	-200
Water Transportation	1,000	1,000	1,000	0	0
Air Transportation	5,500	5,400	5,100	100	400
Other Trans. Comm. & Utilities	8,800	8,800	8,800	0	0
Trade	40,200	40,200	42,900	0	-2,700
Wholesale	7,300	7,300	8,200	0	-900
Retail	32,900	32,900	34,700	0	-1,800
Gen. Mer. & Apparel	4,800	4,800	4,900	0	-100
Food Stores	5,900	5,800	5,700	100	200
Eating & Drinking Pl.	12,000	11,900	12,800	100	-800
Other Retail Trade	10,200	10,400	11,300	-200	-1,100
Finance-Ins. & R.E.	12,100	12,200	12,600	-100	-500
Services & Misc.	41,900	41,500	43,900	400	-2,000
Government	67,800	67,900	69,800	-100	-2,000
Federal	18,400	18,400	17,600	0	800
State	19,500	19,400	21,100	100	-1,600
Local	29,900	30,100	31,100	-200	-1,200

Prepared in cooperation with the U.S. Bureau of Labor Statistics.
Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date 1986.

p/ Denotes preliminary estimates.

r/ Denotes revised estimates.

labor force. As a result the actual count of the unemployed is likely to be understated.

Impact on Costs

As people out of work struggle with less income the good news is that prices appear to be moderating. The American Chamber of Com-

Table 1
American Chamber of Commerce Research Association
Inter-City Cost of Living Index
1986

	Quarter	
	Third	**Fourth**
Anchorage	139.4	134.3
Fairbanks	141.7	141.0
Juneau	144.9	145.0
Seattle	105.2	108.1
All City Average	100.0	100.0

merce Research Association's (ACCRA) *Inter-City Cost of Living Index* has just been released for the fourth quarter 1986 (table 1).

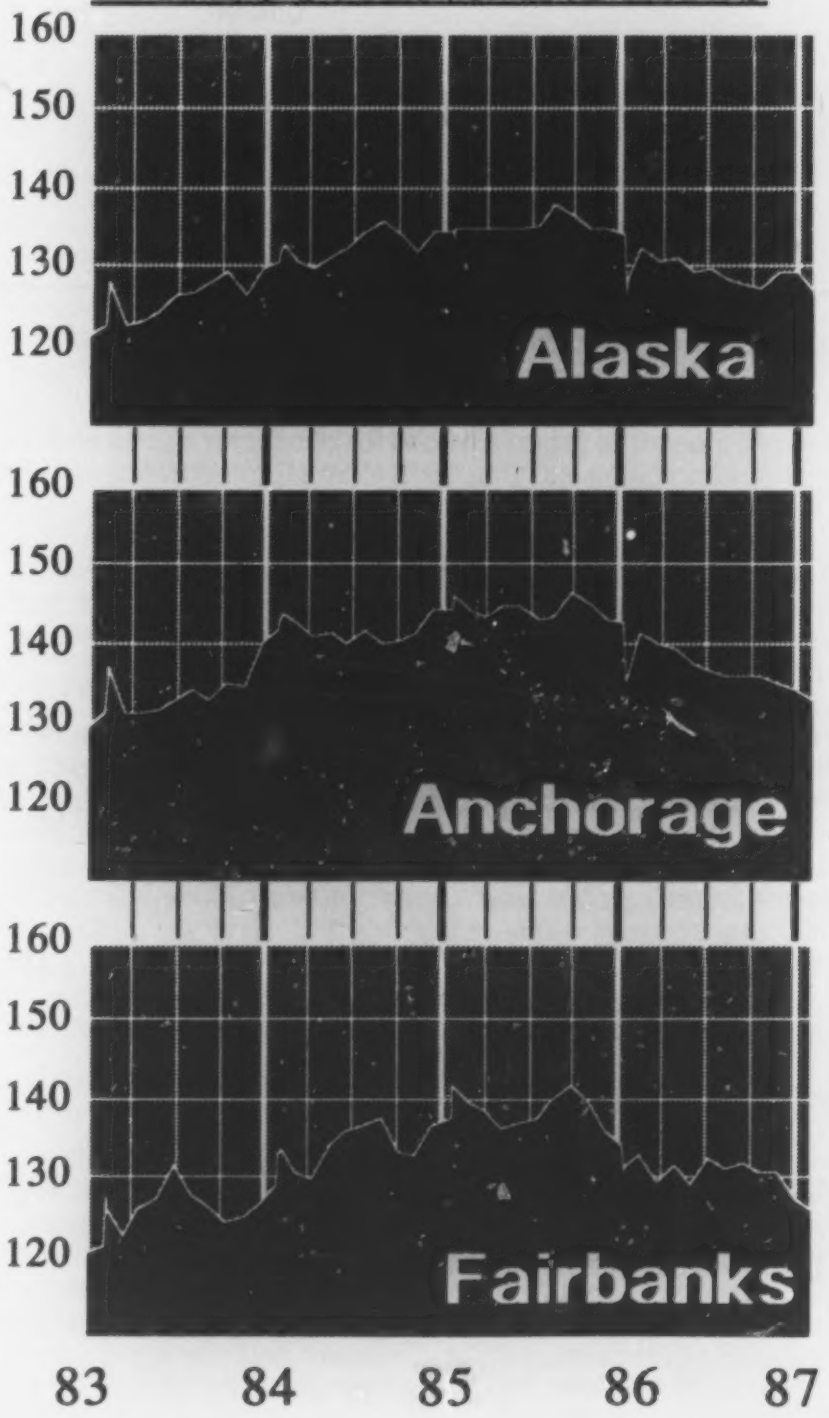
This index measures relative prices for consumer goods and services in participating cities, as compared to an all cities average. For example, according to the ACCRA index, Anchorage was 34.3% more costly than the all city average and 24.2% $((134.3/108.1 - 1) \times 100)$ more costly than Seattle in the fourth quarter 1986. Because the number of items is limited, differences between cities should not be considered exact measures but rather representative of differences in the cost of living between communities.

Since the third quarter 1986, costs in Anchorage as measured by this index went down compared to the all city average and compared to Seattle. Fairbanks and Juneau remained approximately the same relative to the all city average but went down compared to Seattle. Most of the decline in Anchorage was accounted for in the housing index while the other sub-indexes (grocery items, utilities, transportation, health care, and miscellaneous goods and services) increased or remained steady over the period. The changes in house prices in Juneau and Fairbanks are apparently lagging the Anchorage market and will no doubt be reflected in the first quarter 1987 index.

Conclusion

Few Alaskans are misled by the employment statistics or the inflation statistics. With record bankruptcies and house foreclosures, falling house prices (which account for the improved cost statistics but which result in a loss of assets for many people), and continued layoffs it is difficult to accept unemployment statistics that imply improvements in the economy. A closer examination of the data suggests that both the method of measuring unemployment and the movement of people from the state allows the unemployment statistics to hide the depth of the economic decline.

COMPOSITE NONAG. EMPLOYMENT INDEXES



SEASONALLY ADJUSTED 1983 TO PRESENT

source: ak. dept. of labor

Anchorage/MatSu

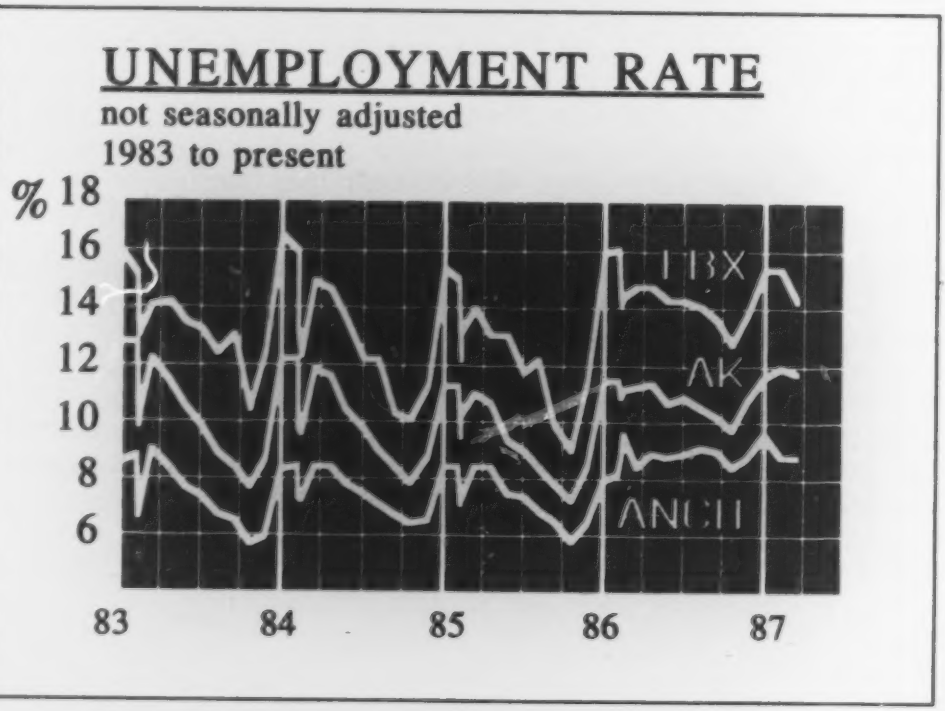
By Greg Huff

Current Trends

March brought some good news about the unemployment rate for the Anchorage/Matsu labor market area. The March 1987 rate was 0.2% lower than March 1986. Although the year-to-year improvements in the unemployment rate is likely to continue, it does not mean growth in employment.

Over-the-year comparisons of employment continue to show enormous losses as the unemployment rate falls, however, the number of people unemployed is falling at a slightly faster rate than the number employed. This occurs because the labor force falls faster than employment as unemployed workers leave the state and as an increased number of discouraged workers quit looking for work. (By definition discouraged workers are not included in labor force statistics.) As a result, the number of unemployed workers is falling at a faster rate than jobs.

Employment in Anchorage and Matsu began to decline rapidly in 1986 and continues to decline into 1987, but not all areas of the region experienced the same percent drop in employment. For example, em-



ployment in Eagle River and the surrounding areas fell less than 1% in 1986 compared to a 4.5% decline in Anchorage.

Eagle River and Surrounding Areas
Population and Employment Trends 1980-1986

Situated along the Glenn Highway at the most northern portion of the Municipality of Anchorage are the communities of Eagle River, Chugiak, Birchwood, Peters Creek and Eklutna. Because they are separated from Anchorage by Elmendorf Air Force Base and Fort Richardson, a distance of 10 miles, these communities have a distinct makeup. During the early 1980s they became popular residential communities and grew at an extraordinary pace both in terms of population and employment, although most residents work outside of the local area.

Based on estimates provided by the Municipality of Anchorage Planning Department, approximately 4% of the adult population in the area were in the military living off-base, while 77% were in the civilian labor force and the remaining 20% were adults (mostly female) not participating in the labor force. Seventy-five percent of those workers in the civilian labor force that were receiving pay or were not self employed commute outside the area to work. Census data shows that workers in Eagle River and the surrounding areas spend an average of 30 minutes travel time getting to work.

Population

The population of the area encompassing Eagle River, Chugiak, Birchwood, Peters Creek and Eklutna doubled from 1980 to 1986 to 25,347 from 12,858. The population growth in these communities was faster than most other communities in the Anchorage borough. Because of the rapid population gains, the communities represent 10% of Anchorage's population, up from 7.5% in 1980 and 4.6% in 1970 (table 1).

The pressures of a growing population strained the housing supply and increased the demand for new housing. From the early 1980s to the mid-1980s the housing stock in the area increased from 4,450 units to over 8,600 units. The majority of the homes built were single family residences. The largest increase in housing units occurred in 1983 when over 1,400 units were constructed, 80% of which were single family residences. The following year an additional 1,000 units came on line, 800 of which were single family homes.

Table 1
Eagle River and Surrounding Area
Population /1
1980-1986

	1980	1981	1982	1983	1984	1985	1986
Eagle River	7,528	8,787	9,106	13,741	15,320	15,948	N/A
Chugiak, Birchwood, Peters Creek and Eklutna	5,330	5,538	5,871	8,208	8,892	9,119	N/A
Total Area Population	12,858	14,325	14,977	21,949	24,202	25,067	25,347
Total Area housing stock	4,468	4,673	5,354	6,680	7,726	8,162	8,626
Total Anchorage Population	174,431	187,761	204,216	230,846	244,030	248,263	248,050

1/ The source for the 1980 data is the U.S. Census. The source for the 1981 to 1986 data is the Municipality of Anchorage, Planning Department

N/A: Not Available

As the population of school age children grew, construction of new schools were required. According to the Anchorage School District, in 1980 there were 1,691 children enrolled in four elementary schools and 1,385 students in one secondary school in the area (junior and senior high schools were combined). Six years later the number of elementary students increased to 3,112 in six schools and the number of secondary students rose to 2,292 in two secondary schools.

An increase of nearly 700 students in 1983 was the largest single year gain. That same year the Gruening Junior High was separated from Chugach High School but operated on split shifts at the high school site until 1984 when the new Gruening Junior High School was opened. The Ravenwood and Firelake Elementary schools were opened in 1984 and 1985 respectively.

Employment

As the area's population expanded the demand for goods and services increased causing established firms to expand their existing operations and new firms to move into the area. As a result employment in the Eagle River/Chugiak and surrounding areas increased from 1,235 in 1980 to over 2,600 in 1986. This was an increase in employment of over 70% in six years and an average of 11.6% growth per year, although growth ranged from 22.0% in 1983 to a 0.3% decline in 1986. The number of firms in the area increased from 160 to over 320.

Economic growth brought with it an increased diversity and variety of goods and services. Previously, many goods and services had to be purchased in Anchorage or forgone. Business growth was particularly extensive in the commercial area of Eagle River, which has literally been transformed into a major business district.

The trade industry contributed nearly 50% of the employment gains in the area (Table 2). This industry grew an average of 19% annually, resulting in 430 new jobs between 1980 and 1986. Of total trade employment roughly 70% is directly related to food, restaurants, and grocery stores.

Table 2
Eagle River and Surrounding Area Employment
1980-1986

	1980	1981	1982	1983	1984	1985	1986
Mining	*	*	*	*	*	*	*
Construction	90	122	206	305	376	337	222
Manufacturing	*	*	*	*	*	*	*
T.C.U.	155	150	140	190	220	330	350
Trade	314	466	533	608	636	785	797
Wholesale	31	57	50	51	46	45	47
Retail	283	409	483	557	590	740	750
Finance-Ins. & R.E.	34	37	48	64	80	88	102
Services	217	230	243	320	429	486	575
Misc.	*	*	*	*	*	*	*
Government	383	379	385	451	489	534	533
Federal	40	26	25	35	38	29	33
State	98	98	92	100	101	105	100
Local	245	255	268	316	350	400	400
Total Employment	1,235	1,432	1,637	1,998	2,290	2,613	2,607

* Nondisclosable

The demand for a greater selection of services also grew substantially over the period. The personal services component of the services industry, grew a moderate 25%, compared to the business and health services components, both of which grew four fold. Combined, the two accounted for 25% of total services employment in 1986. Even more spectacular is the growth of recreational services employment, growing from no jobs in 1980 to 70 jobs, or 13% of total services employment in 1986.

Population growth was the catalyst for employment growth in the natural gas, electric and telephone utilities, but the majority of the

Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate		Employment		
	P/ 3/87	R/ 2/87	P/ 3/86	R/ 3/87	P/ 2/87	R/ 3/86	P/ 3/87	R/ 2/87	3/86	3/87	2/87	3/86
Alaska Statewide	245,565	242,529	250,144	28,892	29,031	30,428	11.8	12.0	12.2	216,673	213,498	219,716
Anch.-MatSu Region	131,593	130,134	135,637	13,177	13,004	13,856	10.0	10.0	10.2	118,416	117,130	121,781
Anchorage Borough	116,049	114,672	119,346	10,229	10,063	10,602	8.8	8.8	8.9	105,820	104,609	108,744
MatSu Borough	15,544	15,462	16,291	2,948	2,941	3,254	19.0	19.0	20.0	12,596	12,521	13,037
Gulf Coast Region	25,640	25,306	25,832	4,033	4,139	4,440	15.7	16.4	17.2	21,607	21,167	21,392
Kenai Peninsula Bor	15,940	15,775	16,070	3,048	3,145	3,306	19.1	19.9	20.6	12,892	12,630	12,764
Kodiak Island Bor	5,724	5,638	5,836	340	363	505	5.9	6.4	8.7	5,384	5,275	5,331
Valdez-Cordova	3,976	3,893	3,926	645	631	629	16.2	16.2	16.0	3,331	3,262	3,297
Interior Region	37,242	37,136	37,921	5,718	6,049	6,006	15.4	16.3	15.8	31,524	31,087	31,915
Fairbanks North Star Bor	31,988	31,936	32,706	4,616	4,943	4,995	14.4	15.5	15.3	27,372	26,993	27,711
Southeast Fairbanks	2,225	2,214	2,292	387	402	431	17.4	18.2	18.8	1,838	1,812	1,861
Yukon-Koyukuk	3,029	2,986	2,923	715	704	580	23.6	23.6	19.8	2,314	2,282	2,343
Northern Region	8,041	7,871	7,999	1,005	919	944	12.5	11.7	11.8	7,036	6,952	7,055
Nome	3,144	3,064	3,160	471	423	480	15.0	13.8	15.2	2,673	2,641	2,680
North Slope Borough	2,772	2,711	2,750	183	153	154	6.6	5.6	5.6	2,589	2,558	2,596
Northwest Arctic Bor	2,125	2,096	2,089	351	343	310	16.5	16.4	14.8	1,774	1,753	1,779

Southeast Region	31,969	31,285	32,071	3,860	3,927	4,195	12.1	12.6	13.1	28,109	27,358	27,876
Haines Borough	912	887	930	153	148	177	16.8	16.7	19.0	759	739	753
Juneau Borough	13,587	13,215	13,724	1,130	1,090	1,370	8.3	8.2	10.0	12,457	12,125	12,354
Ketchikan Gateway Bor	6,420	6,223	6,462	758	712	847	11.8	11.4	13.1	5,662	5,511	5,615
Pr. of Wales-Outer Ketch	2,361	2,398	2,333	443	531	431	18.8	22.1	18.5	1,918	1,867	1,902
Sitka Borough	3,689	3,627	3,775	340	368	454	9.2	10.1	12.0	3,349	3,259	3,321
Skagway-Yakutat-Angoon	1,601	1,597	1,580	398	427	387	24.9	26.7	24.5	1,203	1,170	1,193
Wrangell-Petersburg	3,399	3,338	3,267	638	651	529	18.8	19.5	16.2	2,761	2,687	2,738
Southwest Region	11,080	10,797	10,684	1,099	993	987	9.9	9.2	9.2	9,981	9,804	9,697
Aleutian Islands	2,781	2,728	2,670	115	110	80	4.1	4.0	3.0	2,666	2,618	2,590
Bethel	4,415	4,275	4,319	454	384	471	10.3	9.0	10.9	3,961	3,891	3,848
Bristol Bay Borough	441	441	426	61	67	56	13.8	15.2	13.1	380	374	370
Dillingham	2,005	1,964	1,879	240	230	164	12.0	11.7	8.7	1,765	1,734	1,715
Wade Hampton	1,438	1,389	1,390	229	202	216	15.9	14.5	15.5	1,209	1,187	1,174

P/ Preliminary R/ Revised 1986 Benchmark

Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey (CPS) in formulas used to allocate federal funds. Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor, because Alaska's CPS sample size is inadequate to accurately indicate monthly changes in level. The sampling errors are random in nature, meaning that the unemployment rates, in any given month, are as likely to be high as frequently as they are low. The official definitions of unemployment, currently in place, exclude anyone who has made no attempt to find work in the four week period up to and including the week that includes the twelfth of each month. Most economists feel that Alaska's rural localities have proportionately more of these discouraged workers

Nonagricultural Wage and Salary Employment
By Place of Work
Anchorage

	p/ 3/87	r/ 2/87	3/86	Changes From: 2/87	3/86
Nonag. Wage & Salary	102,000	101,800	108,200	200	-6,200
Mining	3,450	3,300	4,100	150	-650
Construction	5,500	5,400	6,200	100	-700
Manufacturing	2,100	2,150	2,250	-50	-150
Food & Kindred Prod.	350	400	400	-50	-50
Other Mfg.	1,750	1,750	1,850	0	-100
Trans. Comm. & Utilities	8,850	8,850	8,900	0	-50
Trucking & Whseing.	1,250	1,300	1,250	-50	0
Water Transportation	250	250	250	0	0
Air Transportation	3,000	2,950	2,900	50	100
Other Trans. Comm. & Utilities	4,350	4,350	4,500	0	-150
Trade	24,200	24,150	26,250	50	-2,050
Wholesale	5,450	5,450	6,350	0	-900
Retail	18,750	18,700	19,900	50	-1,150
Gen. Merchandise	1,800	1,800	1,800	0	0
Food Stores	2,950	2,950	2,850	0	100
Eating & Drinking Pl.	7,650	7,600	8,100	50	-450
Other Retail Trade	6,350	6,350	7,150	0	-800
Finance-Ins. & R.E.	7,800	7,900	8,450	-100	-650
Services & Misc.	23,800	23,800	25,250	0	-1,450
Government	26,300	26,250	26,800	50	-500
Federal	10,250	10,200	10,000	50	250
State	7,150	7,100	7,600	50	-450
Local	8,900	8,950	9,200	-50	-300

Nonagricultural Wage and Salary Employment
By Place of Work
Anchorage-MatSu

	p/ 3/87	r/ 2/87	3/86	Changes From: 2/87	3/86
Nonag. Wage & Salary	108,600	108,450	115,200	150	-6,600
Mining	3,450	3,300	4,100	150	-650
Construction	5,750	5,600	6,600	150	-850
Manufacturing	2,200	2,200	2,350	0	-150
Trans. Comm. & Utilities	9,550	9,550	9,600	0	-50
Trade	25,750	25,750	27,800	0	-2,050
Finance-Ins. & R.E.	8,350	8,450	9,000	-100	-650
Services & Misc.	24,850	24,950	26,500	-100	-1,650
Government	28,700	28,650	29,250	50	-550

growth in the transportation, communications and utility industry was based in the school bus sector. There were, however, downward fluctuations in 1981 and 1982 due to changes in school bus contracts.

The demand for government services, particularly education, was impacted as a result of the rapid population gains. As the number of school-aged children increased, the need for additional school teachers and support staff was required. Indeed, the vast majority of government employment increases was in the local schools. Demand for various government or quasi-government services also increased with an increase in employment.

Fairbanks/Interior

By Neal Fried

Doyon Region's Employment

Doyon's employment increased in 1986, no modest accomplishment in today's economic environment. In 1986 Alaska's employment fell by 3.8 % and Fairbanks contracted by 5.1%, but Doyon's increased by 3.8% (table 1). The question is how did the Doyon region escape employment declines and experience growth with the rest of the state's economy in trouble?

Table 1
Rural Doyon Region
Employment by Industry
First Nine Months 1985 & 1986

	1985	1986	Percent Change 85-86
Total	3,969	4,119	3.8
Mining	130	141	8.2
Construction	151	144	-4.5
Manufacturing	19	18	-3.0
Trans. Comm. & Utilities	368	361	-2.1
Trade	425	382	-10.1
Wholesale	53	46	-12.7
Retail	372	336	-9.8
Finance-Ins. & Real Estate	62	77	23.7
Services & Misc.	411	533	29.8
Government	2,404	2,465	2.5
Federal	636	660	3.6
State	384	450	17.1
Local	1,383	1,355	-2.0

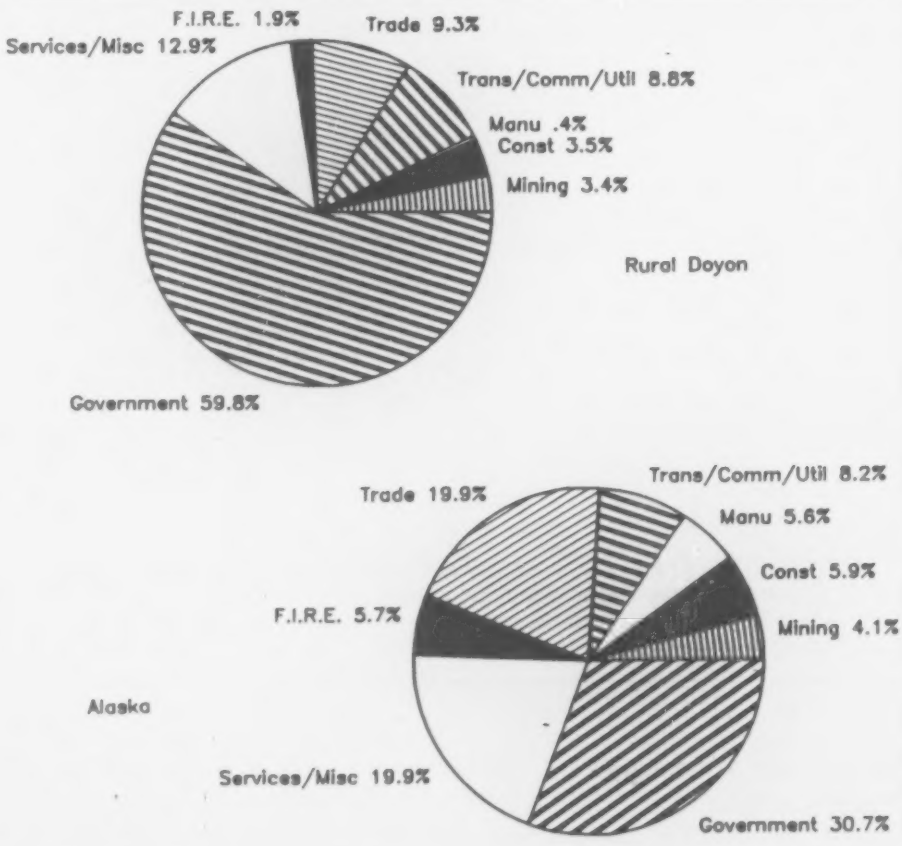
1/ The Rural Doyon Region includes the Southeast Fairbanks and Yukon-Koyukuk Census Areas within the Interior Region. The Fairbanks North Star Borough is not included because it would mask any changes occurring in the remainder of the region.

The answer appears to be related to the area's sizable government employment and the existence of only a small construction work force. In 1986, 60% of Doyon's wage and salary employment was with federal, state or local government and construction employed only 3.5% (see Figure 1).

These proportions are important because the construction industry was responsible for the most of the losses in the statewide economy in 1986. The next question is: Didn't the Doyon area's government employment suffer big losses in 1986 because of the state's budget woes? The answer is no.

While local government employment fell in 1986 by 2%, these losses were more than made up by increases in state and federal government employment. State employment grew because of last year's busy fire fighting season and federal government increased because Fort Greely in Delta added additional personnel.

Figure 1
Rural Doyon Region and Alaska Employment by Industry, 1986



Local and state government suffered losses during the latter part of 1986, but most of the losses were covered by gains made during the earlier part of the year. In essence the government sector did not propel Doyon's economy ahead but prevented it from the precipitous employment declines experienced elsewhere in the state.

The remaining industries provide a mixed picture. Services employment grow substantially. Some of this growth came from contractors providing services to the military installations and some of the growth came from a change in our recording methodology; therefore part of this growth represents only a paper change and not a real increase.

Construction and mining, two small industries in the area, remained relatively stable over the past two years. Trade (wholesale and retail) employment fell by 10%. Trade lost employment during the earlier part of the year but during the spring and summer months it almost bounced back to 1985's levels because of activity on the Alaska Highway and Denali National Park.

Total traffic on the Alaska Highway increased in 1986, where many of the communities in the Doyon region depend on this traffic for an important share of their economic activity. Trade is a particular beneficiary of highway traffic because people stop to eat, buy gas, and purchase supplies in these communities. Denali National Park experienced a 21% increase in their visitation in 1986 which had a positive impact on trade during the summer months.

The Other Side of the Coin

Though it appears the Doyon region outperformed much of the state in 1986, it would be a misnomer to call it an area of unbridled prosperity. Other indicators a different picture. The region's per capita income is 62% of the statewide average. Approximately 24% of the Doyon area's population lives below the poverty level compared to 11% statewide.

Employment is seasonal and scarce. The labor force participation rate (the percent of the working age population active in the labor force) for the area is 46% compared to the 64% statewide average. The area's unemployment rate in 1986 was 11.5% compared to the statewide average of 9.5%. In other words the area has a great deal of catching up to do before it will be on par with the rest of the state.

The Future

It will be difficult for the Doyon region to sustain growth in 1987. A shrinking state budget will cause additional losses in local and state

Nonagricultural Wage and Salary Employment
By Place of Work
Fairbanks

	p/ 3/87	r/ 2/87	3/86	Changes From: 2/87	3/86
Nonag. Wage & Salary	25,400	25,250	26,850	150	-1,450
Mining	100	100	100	0	0
Construction	1,000	1,000	1,100	0	-100
Manufacturing	550	550	550	0	0
Trans. Comm. & Utilities	2,500	2,500	2,450	0	50
Trucking & Whseing.	350	350	350	0	0
Air Transportation	900	900	900	0	0
Other Trans. Comm. & Utilities	1,250	1,250	1,200	0	50
Trade	5,150	5,100	5,550	50	-400
Wholesale	850	850	900	0	-50
Retail	4,300	4,250	4,650	50	-350
Gen. Mer. & Apparel	500	500	500	0	0
Food Stores	750	750	750	0	0
Other Retail Trade	3,050	3,000	3,400	50	-350
Finance-Ins. & R.E.	1,000	1,000	1,100	0	-100
Services & Misc.	5,600	5,550	6,000	50	-400
Government	9,500	9,450	10,000	50	-500
Federal	2,900	2,900	2,750	0	150
State	3,950	3,900	4,250	50	-300
Local	2,650	2,650	3,000	0	-350

Nonagricultural Wage and Salary Employment
By Place of Work
Interior

	p/ 3/87	r/ 2/87	3/86	Changes From: 2/87	3/86
Nonag. Wage & Salary	28,950	28,850	30,450	100	-1,500
Mining	200	250	200	-50	0
Construction	1,050	1,050	1,100	0	-50
Manufacturing	550	550	550	0	0
Trans. Comm. & Utilities	2,800	2,850	2,750	-50	50
Trade	5,400	5,350	5,850	50	-450
Finance-Ins. & R.E.	1,100	1,050	1,150	50	-50
Services & Misc.	5,950	5,900	6,400	50	-450
Government	11,900	11,850	12,450	50	-550

government in 1987. Construction will feel the impact of a shrinking capital budget.

One of the bright spots in the area is tourism. Denali National Park is projecting another big increase in their visitation this year. With the new 150 room Harper Lodge opening this season and a number of other park hotel operators expanding their operations, the park will be able to accommodate more tourists.

The gains in tourism and federal government will not be enough to offset the losses brought on by a smaller state budget. The losses are not likely to be dramatic in 1987, but in an area where employment is a scarce commodity, any losses are important.

Current Trends

Fairbanks' economy began to show signs of thawing in March. Wage and salary employment grew for the first time after straight months of seasonal declines. Most industries' employment remained flat but trade, services and government managed to post small gains. Over-the-year comparisons continue to show declined in most of Fairbanks' industries. Fairbanks' unemployment rate of 14.4% also improved in March. This was the third month this year the unemployment rate has remained below 1986 levels. It appears this trend will continue in the future. At the mement it appears this is happening because some of the unemployed are leaving and the rate of employment decline may be moderating. More concrete analysis will be possible as additional information becomes available.

Gulf Coast

By Neal Fried

Unemployment in the Kenai Peninsula Borough

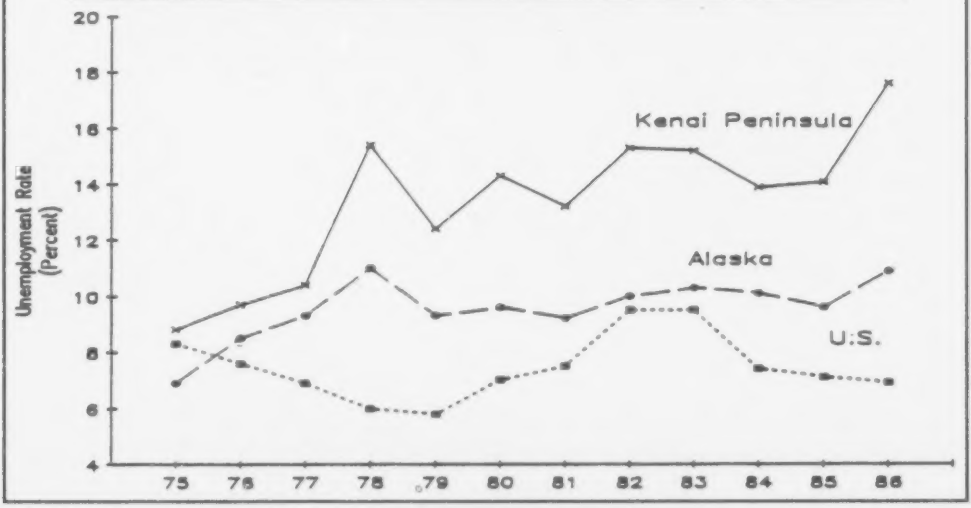
The Kenai Peninsula Borough's unemployment rate for March was 19.1%, well above the statewide average of 11.8% and almost three times as high as the national average of 6.9%. In 1986 the borough recorded the highest annual average unemployment rate in the state (17.6%). The 1986 rate was the highest unemployment rate in the borough since 1975, when comparable unemployment rates were first recorded (see figure 1).

Borough residents during the past year have been constantly reminded of these less than flattering statistics when they are reported monthly in the media. What does the borough unemployment rate really represent and does it provide an accurate portrayal of the area's economy?

Definition of Unemployment

Before answering these questions a brief definition of the unemployment rate is in order because the item conjures up so many misconceptions. To be counted as unemployed, a person must not have a

Figure 1
Unemployment Rates 1975–1986
Kenai Peninsula, Alaska, and U.S.



job and must be available and actively making an effort to find employment. The term does not include only those individuals collecting unemployment insurance or only those who have visited local employment centers but anyone without a job and seeking work. For example when high school students begin looking for work after the end of the school year, they are captured in the unemployed figures though they are not eligible for unemployment insurance. Monthly statewide surveys are performed to supplement administrative and other data used to calculate the number of the unemployed.

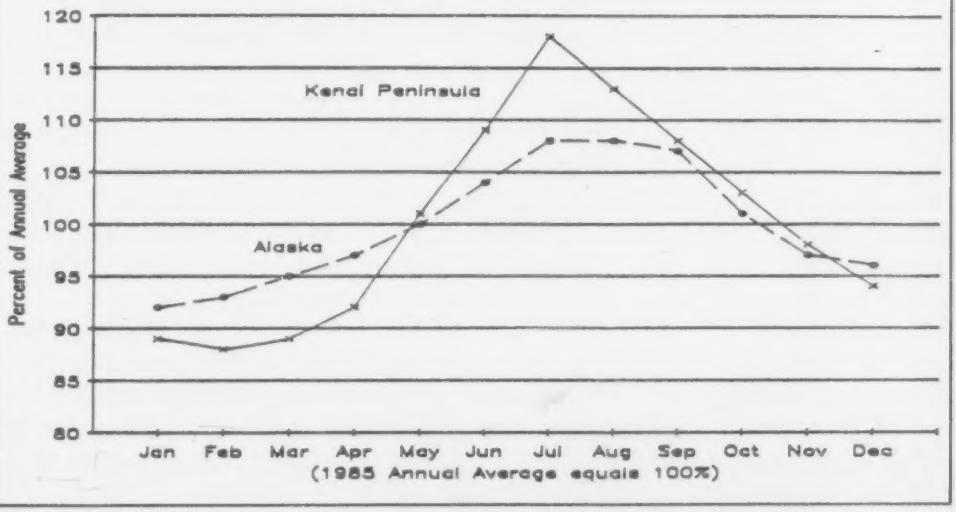
The group that is excluded from the unemployment figures are the discouraged workers—those people who have given up seeking employment because they do not believe work is available.

Seasonal Impacts

During the past 12 months the borough's unemployment rate has ranged from a low of 13.9% in August to a high of 20.7% in April. The difference between these two figures are explained in part by the seasonal nature of the borough's industries.

Though the borough probably has one of the most diverse economies in the state, seasonal industries dominate. Fishing, tourism, and construction are all seasonal industries, which means a large segment of the population works only part of the year. For example in 1986, 7.5% of the borough's wage and salary work force was employed in

Figure 2
Seasonality of Employment
Kenai Peninsula Borough and Alaska, 1986



construction, but 26.4% of all the unemployment insurance claimants were filed by individuals previously employed in the construction industry.

Another way to look at seasonality is monthly employment expressed as a percentage of the annual average employment as illustrated in figure 2. Over the period of a year the Kenai Peninsula's total wage and salary employment can range from a low of 88% to a high of 118% of the annual average employment. Statewide employment's high and low are 92% and 108% of the yearly average respectively. Particular industries such as fish processing employment levels range from a low of 21% percent to a high of 360%. As long as seasonal industries play such an important role in the borough's economy, the Peninsula's unemployment rate will remain higher than average.

A Deteriorating Economy

Seasonality alone does not explain the Kenai Peninsula Borough's persistent high unemployment rate. The borough's deteriorating economy in 1986 also contributed significantly to the higher rate. After five years of strong employment growth, employment fell by 4% in 1986. The annual average unemployment rate grew from 14.1% in 1985 to 17.6% in 1986.

As the economy deteriorated, the number of unemployed increased by 700 to a historical record high of 3,000 unemployed residents on the peninsula. The number of unemployment insurance recipients increased by 36.6% in the 1986 federal fiscal year (October 1985-September 1986) and the number of dollars in unemployment insurance benefits paid out in the borough grew from $8.8 million in 1985 to $13.2 million in 1986, making it the largest increase in the state.

Unemployment Rates Do Not Explain Everything

The rapid decline in the economy pushed unemployment rates higher throughout the state in 1986, but higher unemployment rates are not always accompanied by a declining economy. For example, in 1982 the number of jobs on the peninsula grew by 8.1% but the unemployment rate increased from 13.2% in 1981 to 15.3% in 1982. This occurred because the national recession encouraged residents from other states to seek employment in Alaska and on the Kenai Peninsula. Their numbers were so large that they essentially overwhelmed the local labor market, pushing the unemployment rate higher.

In this case if the unemployment rate was used as the lone indicator of the health of the peninsula's economy, a casual observer would have concluded the area was economically depressed when in reality its economy was booming. Though unemployment rates were high

Nonagricultural Wage and Salary Employment
By Place of Work
Gulf Coast

	p/ 3/87	r/ 2/87	3/86	Changes From: 2/87	3/86
Nonag. Wage & Salary	18,150	18,000	18,550	150	-400
Mining	850	850	1,000	0	-150
Construction	800	800	950	0	-150
Manufacturing	2,550	2,400	2,150	150	400
Food & Kindred Prod.	1,950	1,800	1,550	150	400
All Other Mfg.	600	600	600	0	0
Trans. Comm. & Utilities	1,400	1,350	1,500	50	-100
Trade	3,100	3,100	3,250	0	-150
Wholesale	450	450	450	0	0
Retail	2,650	2,650	2,800	0	-150
Finance-Ins. & R.E.	650	650	650	0	0
Services & Misc.	3,200	3,150	3,200	50	0
Government	5,600	5,700	5,850	-100	-250
Federal	600	600	550	0	50
State	1,450	1,500	1,600	-50	-150
Local	3,550	3,600	3,700	-50	-150

throughout the early eighties on the peninsula, a growing employment base meant new job opportunities were being created (3,815 new jobs were created between 1980-1985). Room for advancement was plentiful and workers often changed jobs creating a fluid labor market.

By the same token the unemployment rate does not necessarily reveal all the negatives of high unemployment—particularly in today's labor market - because 1) individuals currently employed become reluctant to change jobs because of the economic uncertainty created in a declining labor market with fewer new job opportunities, 2) the seasonal worker is no longer assured of finding employment, 3) the new job seeker may find it difficult to find employment, 4) workers already employed are not sure they will remain employed, 5) employed workers are now underemployed, working part-time and in jobs for which they are overqualified, and 6) the number of discouraged workers tends to grow during a period of economic contraction.

Conclusions

During the first quarter of 1987 the unemployment picture on the Kenai Peninsula has been mixed. The figures in January and February were higher than during the same months in 1986, but March's figures indi-

cate some improvement. Employment on the peninsula is expected to continue to decline in 1987, therefore no major rebound in the unemployment picture is anticipated. If the unemployment rate improves this year, it will most likely be a result of the unemployed leaving and not a result of an improved economy.

The unemployment rate should be used with other information when assessing the health of an economy. Using only the unemployment rate it becomes easy to make erroneous conclusions. Only in tandem with other economic indicators can the unemployment rate help portray an accurate picture of the Kenai Peninsula's economy.

Current Trends

The Gulf Coast labor force figures for March remained mixed. Kodiak's unemployment rate of 5.9% was the second lowest rate in the state and the Kenai Peninsula Borough's unemployment rate of 19.1% was the third highest in the state. The Valdez-Cordova rate of 16.2% remained unchanged from February. Kodiak's very active bottom fishery kept its unemployment figures low and falling. The peninsula's rate remained high but it is showing some signs of seasonal improvement. As the fishing industry begins to move into high gear and the tourism and construction seasons begin to stir, the Gulf Coast's unemployment rates will show greater signs of improvement in the coming months.

Southeast Alaska

By John Boucher

Services Employment in Southeast Alaska, 1982-1986

Each month estimates for Southeast Alaska industry employment are published in *Alaska Economic Trends*. These employment estimates are located in the nonagricultural wage and salary table for Southeast Alaska in the table on page 40. Estimates are published for seven major industry categories and eight subindustry categories.

Of these fifteen industry and subindustry categories, nearly every industry title helps define the type of employment associated with the estimate. For example, it is relatively easy to associate a type of employment or activity to construction or retail trade. Services, however, is one industry which cannot be characterized by a single activity or type of employment but which represents a diversity of jobs.

For the past decade, economists have pointed to the services industry as one of the fastest growth industries in both the state and national economies. Southeast Alaska is no exception to this trend. In 1975, the annual average employment in the services industry was 2,151. This made services the fifth largest employer in Southeast Alaska after state government, local government, lumber and paper products, and retail trade. By 1986, services employment had more than doubled to 4,500 and services was the second largest employer in Southeast Alaska behind state government.

What kind of employment is services and where is this employment growth being generated? To help answer these questions, the services industry was examined during the last five years.

Service industry employment was divided into eighteen different categories to illustrate the growth in Southeast Alaska's services industry. In most other regions of the state, the mining industry warrants a separate industry classification, however since mining is a relatively small size in Southeast Alaska it is lumped into services. For the purposes of this article, the mining industry's portion of services will not be included as services employment.

Even excluding the mining industry, services employment contains a broad range of occupations and activities. As table 1 shows, services employment contains a grab bag of activities; doctors, lawyers, architects, mechanics, social workers, movie theater employees, and chamber of commerce personnel are just a few activities included

in service industry employment. Since there is such a varied number of activities, the reason behind any growth in employment can be as varied as the industry itself. A look at employment gives some indication of where activity is occurring and may give some insight into why it is occurring.

Table 1
Southeast Alaska Services, & Miscellaneous
Average Employment 1982-86

	1982	1983	1984	1985	3 qtr.[1] 1986	% change 82-85
Hotel & Motel	592	730	775	801	746	35.30
Personal Services	110	124	142	169	172	53.64
Business Services	509	413	397	417	451	-18.07
Auto Repair	66	70	77	77	82	16.67
Misc. Repair	55	67	68	62	66	12.73
Motion Picture	66	75	80	71	73	7.58
Amusement & Recreation	71	115	135	152	138	114.08
Health Services	674	744	775	782	855	16.02
Legal Services	145	158	171	178	174	22.76
Educational Services	*	*	173	181	147	*
Social Services	594	568	619	634	637	6.73
Museums, Art Galleries & Botanical Gardens	*	*	*	*	*	*
Membership Organizations	487	625	600	566	624	16.22
Private Households	*	*	*	*	*	*
Misc. Services	260	268	316	298	285	14.62
Agricultural Services	*	*	*	24	37	*
Nonclassified	75	148	155	55	84	-26.67
Services & Misc.	3,833	4,261	4,506	4,471	4,576	16.64

1/ 1986 employment estimated from 3 quarters of ES-202 data.

* Nondisclosable

From 1982 to 1985, services employment grew 16.6% or 638 jobs. A good portion of the growth in services employment during the period occurred from 1982 to 1984 when the Alaskan economy was in a stage of rapid growth. For some segments of the services industry growth during this phase was phenomenal, in some segments it was merely good and a few segments of services employment did not perform very well during this period.

The categories of services employment which experienced phenomenal growth from 1982 to 1985 were amusement and recreation services, educational services, personal services and hotel and motel employment. Growth in amusement and recreation services, personal services and educational services employment was relat-

ed to increasing incomes and growing population in the region during the early 1980s. A growing hotel and motel industry was in response to these two factors as well as an increasing number of tourists visiting Southeast Alaska.

The categories of services employment which experienced moderate growth were auto and miscellaneous repair, health services, legal services, membership organizations and miscellaneous services. These categories of the service industry tend to be more sensitive to population than income charges, and that may be why growth in these industries has been moderate in comparison to other services employment categories.

Increasing incomes may have had a dampening effect on the growth of some service industries. Growth in auto and miscellaneous repair employment, for example, would be restrained by rising incomes because consumers would tend to purchase new automobiles and other durable goods rather than trying to extend the life of their existing automobiles and appliances.

The categories of employment that had the smallest growth in employment during the early 1980s were motion picture employment, social services and business services. It is interesting to note though that the only category to lose employment during this period was business services.

Motion picture employment in Southeast Alaska is largely theater employees. In the past ten years the rise of cable television and home video players have cut into theater attendance. Social services and business services are both highly dependent on state funding and state contracts and that is why they lagged the other categories of services in terms of employment growth.

Service Industry Wages

An examination of wage data in the services industry does not paint as bright a picture of the overall industry as employment might indicate (see tables 2 & 3). While total services employment (not including mining) increased 16.6% from 1982 to 1985, total wages paid increased only 12.1%. Looking at annual average wage (total wages paid divided by annual average employment) there is cause for more concern as the average annual wage in the services industry dropped 3.8% from 1982 to 1985.

Table 2
Southeast Alaska Services, & Miscellaneous
Total Wages 1982-85
(in thousands)

	1982	1983	1984	1985	% change 82-85
Hotel & Motel	$ 7,397	$ 9,220	$10,110	$ 9,866	33.39
Personal Services	1,329	1,567	1,674	1,866	40.40
Business Services	10,467	7,942	7,877	6,912	-33.96
Auto Repair	958	945	1,139	1,221	27.41
Misc. Repair	1,207	1,412	1,484	1,333	10.45
Motion Pictures	458	649	636	637	39.00
Amusement & Recreation	722	1,245	1,522	1,478	104.88
Health Services	15,220	16,454	16,433	16,073	5.60
Legal Services	4,809	5,673	7,121	5,930	23.31
Educational Services	*	*	2,496	2,747	*
Social Services	7,824	7,446	7,982	8,461	8.14
Museums Art Galleries & Botanical Gardens	*	*	*	*	*
Membership Organ	7,381	9,147	9,131	9,402	27.38
Private Households	*	*	*	*	*
Misc. Services	6,921	7,388	9,188	8,702	25.72
Agricultural Services	*	*	*	395	*
Nonclassified	1,012	2,269	2,048	637	-37.03
Services & Misc	67,454	73,701	79,261	75,651	12.15

*Nondisclosable

There are myriad reasons for the drop in the annual average wage in the services industry. First employment growth has tended to occur in the lower paying industries. Hotel and motel employment, amusement and recreation services, educational services and personal services are all in the lower third of the industry in terms of annual average wages. Also some of this employment, especially those services which cater to the tourism market such as hotel and motel employment, do not provide year-round employment or have a greater percentage of part-time employees.

Service Employment Outlook

The Southeast Alaska Employment forecast, in the April issue of *Alaska Economic Trends*, forecast a relatively moderate drop in services employment during 1987 and 1988. Unfortunately that forecast included the mining industry, which is expected to grow slightly, and therefore does not paint an accurate picture of what will occur in the

Table 3
Southeast Alaska Services & Miscellaneous
Average Annual Wage 1982-85 3/

	1982	1983	1984	1985	% change 82-85
Hotel & Motel	$12,494	$12,630	$13,046	$12,317	-1.42
Personal Services	12,084	12,635	11,786	11,042	-8.62
Business Services	20,563	19,231	19,842	16,575	-19.39
Auto Repair	14,516	13,502	14,792	15,853	9.21
Misc. Repair	21,950	21,072	21,820	21,506	-2.02
Motion Pictures	6,945	8,651	7,949	8,974	29.21
Amusement & Recreation	10,163	10,822	11,277	9,726	-4.30
Health Services	22,582	22,116	21,204	20,554	-8.98
Legal Services	33,167	35,908	41,641	33,316	0.45
Educational Services	*	*	14,428	15,179	*
Social Services	13,172	13,109	12,894	13,345	1.32
Museums, Art Galleries & Botanical Gardens	*	*	*	*	*
Membership Organizations	15,156	14,635	15,218	16,612	9.60
Private Households	*	*	*	*	*
Misc. Services	26,621	27,565	29,077	29,200	9.69
Agricultural Services	*	*	*	14,806	*
Nonclassified	13,493	15,333	13,212	11,587	-14.13
Services & Misc.	17,598	17,297	17,590	16,920	-3.85

3/ Annual Average Wage is Total Wages divided by annual average employment.

true service industries. Population and income in Southeast Alaska are expected to decline during the next two years and services employment will tend to decline with it. It is expected that those categories more sensitive to income than population will shoulder more of the burden of the loss in employment because income is expected to drop more than population. If income levels were to be maintained, however, the services industry could be in for some small employment gains during the next two years.

Current Trends

Southeast Alaska industry employment increased by slightly less than 2% in the month of March. There were small to moderate employment increases in just about every industry, a sign that the region is starting to come out the slow winter season.

Nonagricultural Wage and Salary Employment
By Place of Work
Southeast Alaska

	p/ 3/87	r/ 2/87	3/86	Changes From: 2/87	3/86
Nonag. Wage & Salary	26,550	26,000	27,350	550	-800
Construction	850	750	900	100	-50
Manufacturing	2,800	2,750	2,700	50	100
Food & Kindred Prod.	450	450	450	0	0
Lumber & Paper Prod.	2,150	2,100	2,050	50	100
All Other Mfg.	200	200	200	0	0
Trans. Comm. & Utilities	1,900	1,850	1,800	50	100
Trade	4,000	3,950	4,100	50	-100
Wholesale	300	300	350	0	-50
Retail	3,700	3,650	3,750	50	-50
Finance-Ins. & R.E.	1,100	1,100	1,100	0	0
Mining, Services & Misc.	4,350	4,150	4,550	200	-200
Government	11,550	11,450	12,200	100	-650
Federal	2,000	1,950	2,000	50	0
State	5,150	5,150	5,650	0	-500
Local	4,400	4,350	4,550	50	-150

Hours and Earnings

By John Boucher

Hours Fall in Mining, Increase in Manufacturing

March hours and earnings data indicate a drop of two hours in the mining sector as oil and gas firms cut back hours worked on the North Slope. Hourly earnings in the mining industry remained close to February's level but the drop in hours translated into smaller weekly paychecks in the mining industry.

Declines in hours worked occurred in other industries including transportation and finance, insurance and real estate. The drop in hours in both transportation and finance, insurance and real estate was broad based and included nearly all the major sectors of the industry.

On the other hand, hours in the manufacturing industry increased on the strength of the food and kindred products sector. Seafood processors in the Gulf Coast and Southwest regions were processing bottomfish during the month, so much so that some plants were working twice the amount of overtime that they did last March. The result was an increase of more than eight hours per week in the food and kindred products sector as well as increases in average hourly earnings and average weekly earnings in the industry.

Alaska Hours and Earnings for Selected Industries 1/ 2/

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	P/ 3/87	R/ 2/87	3/86	P/ 3/87	R/ 2/87	3/86	P/ 3/87	R/ 2/87	3/86
Mining	1,130.14	1,184.23	1,230.45	48.4	50.5	52.9	23.35	23.45	23.26
Construction	925.51	927.71	1,021.64	40.1	40.6	42.8	23.08	22.85	23.87
Manufacturing	501.40	468.47	510.08	43.6	39.6	42.9	11.50	11.83	11.89
Food & Kindred Prod	364.10	284.19	311.83	46.8	38.3	41.8	7.78	7.42	7.46
Lumber & Paper Prod	647.36	647.09	707.50	43.8	44.2	49.2	14.78	14.64	14.38
Trans., Comm. & Utilities	514.97	525.89	549.69	34.4	35.2	36.5	14.97	14.94	15.06
Trade	378.67	384.38	382.91	33.6	33.6	33.5	11.27	11.44	11.43
Wholesale	534.87	549.38	520.71	37.8	37.5	38.6	14.15	14.65	13.49
Retail	323.57	327.84	330.12	32.1	32.3	31.5	10.08	10.15	10.48
Finance-Ins. & R.E	400.29	428.55	402.88	33.0	34.7	34.2	12.13	12.35	11.78

Benchmark March 1986

1/ Prepared in cooperation with the Bureau of Labor Statistics US Department of Labor
2/ excludes eating and drinking establishments

AVERAGE HOURS AND EARNINGS SERIES: Averages are based on data for full and part time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.